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Approved For Release 2004/07/08 : CIA-RDP80M00596A000200020042  
THE DIRECTOR OF  
CENTRAL INTELLIGENCE

*Part II*  
*illustrations*

National Intelligence Officers

NFAC #4774-78  
30 October 1978

MEMORANDUM FOR:   
NIO/SS

25X1

FROM :   
NIO/USSR-EE

25X1

SUBJECT : Submission for DCI Annual Report

Attached is our proposed contribution  
focussed on Soviet political-economic issues.

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Attachment:  
As Stated

*Substantive  
Illustrations  
for Part II  
(Quality)*

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NIO/USSR-EE Submission to DCI Annual Report

1. Lackluster Soviet economic performance in the past two years has largely conformed to our expectations and has strengthened our confidence in previous CIA projections. CIA studies of Soviet economic prospects and problems have heavily influenced perspectives on the USSR both within the US Government and among informed public opinions throughout the world. In the past year we have directed our attention more systematically at exploring the broader Soviet domestic political and foreign and military policy implications of the economic difficulties confronting the USSR.

2. The complex economic-political-military interactions involved cannot readily be analyzed within the confines of any one established academic discipline or single intelligence office structure. We are therefore now attempting to bring to bear on these issues a diversity of intellectual disciplines and combinations of talents across offices tailored more appropriately to fit the problem. The task is not one of penetrating a veil of secrecy surrounding an already articulated comprehensive Soviet strategy for coping either with the country's economic difficulties of their social and political implications. All available evidence indicates that the present Soviet leadership has not settled on a broad and integrated course of action; indeed it appears to wish above all to avert the politically painful choices that a far-reaching solution to the structural problems of the Soviet economy would compel it to make. Accordingly, while continuing to monitor closely evidence bearing on how present Soviet leaders perceive their macro-economic problems and how they regard options for attacking them, we have focused more recently on what is probably the most critical sector of the Soviet economy, energy, where we have found evidence of new responses to what Soviet energy managers, like CIA analysts, appear to regard as looming difficulties of large proportions. Apart from its intrinsic importance, our work in the energy area promises also to enhance significantly our understanding of the politics of economic decisionmaking in contemporary Soviet society and hence to provide an analytical model for application to other sectors of the economy.

3. If the present aging leadership's orientation toward the USSR's economic difficulties is one of temporizing and avoidance rather than bold confrontation, economic policy issues are all the more likely to become matters of contention in the Brezhnev succession. Although the evidential base is weak, we are making an effort to study the economic policy propensities of current second echelon Politburo leaders likely to be elevated to the front ranks in coming years, and more broadly to explore the backgrounds, training, experience, and likely orientations of the oblast party leaders from whose ranks most future Politburo members are likely to emerge.

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4. In general, our analysis of Soviet political and military affairs is now more sensitized to the economic dimension. Unless present economic trends are reversed, we believe that resource constraints on Soviet foreign and military policies are likely to grow in the future. In the near term -- within the next few years -- energy shortages seem certain to confront the Kremlin with a need to ration oil exports more tightly. This will mean an increasingly difficult choice between sacrificing needs of the USSR's Warsaw Pact allies or forgoing some important hard currency earnings from sales to non-Communist customers. Continued military spending at current rates will, if the GNP growth rate is not increased, impact adversely on growth rates for investment or consumption, or both. Our analytical work aims at anticipating choices among alternative strategies that the current Soviet leadership seems not yet to have made. These choices may well be left to a successor leadership to make. How they choose, in turn, will be mediated by intervening factors, such as the course of the succession, the power and personalities of the new leaders, and the evolution of the USSR's international environment. Our analysis therefore must pursue a constantly moving target and is attuned to identifying and tracing those variables whose interaction will determine the outcome.

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20 October 1978

Input to NFAC Contribution for DCI's Annual Report

Part II

Quality of Analysis and Policy Support

NFAC's Long-Range Development Program

1. The Director, NFAC, on 1 May 1978, assigned two experienced intelligence officers to examine and make recommendations about what kind and quality of capability NFAC should develop over the next several years. This two-man team has accomplished an inventory of the professional persons and skills now present in NFAC. The resulting base of knowledge has been recorded in and is being analyzed through a computer program file. It is, for example, providing specific data of value to D/NFAC concerning the distribution of professional manpower resources by functions and geographic assignments. This and much more data being collected by the team is being used to seek out and assess changes which might strengthen the NFAC capability. By December 1978, the team plans to present to D/NFAC a set of recommendations concerning the recruitment and career development of professional analysts, researchers and managers--qualifications and standards required of them, incentives offered to them, and programs of training, educational experience and learning assignments provided to them. At the same time, the team is beginning to examine leadership and organizational

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aspects of NFAC, providing some interim advice and suggestions to D/NFAC to be followed by studied recommendations early in 1979. Beyond that point the D/NFAC and the team have not yet selected the next phase of their efforts.

2. From data analyzed in this early phase of NFAC's long-range development program, it is apparent that the Center's analytical and research resources and capabilities concerning certain geographic areas and some functions are uncomfortably thin. D/NFAC, with the relevant managers and the development team, is assessing these areas and functions and what may be required in the way of strengthening.

3. Also in this early phase, more evidence has been developed confirming information that short-deadline intelligence production and responses dominate the use of analytical resources in some key areas of NFAC to the disadvantage of needed and studied analytical work and supporting research. D/NFAC is giving attention to developing an appropriate balance of efforts in this area of concern.